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SECRET

SERIAL: MV-00-50

Approved For Release 2002/06/10 : CIA-RDP71B00697R001800010024-3
Page 243 of 1
Copy 1 of 4 C.

25X1A

31 August 1966

OSA 3635-66

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Attention:

Contracting Officer

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Subject:

Contracts

Dear Sir,

In July 1966, an agreement was reached with you concerning the delivery of 13C equipment under subject contracts. This agreement provided for, that all units delivered under subject contract be identical, and that they be produced in our manufacturing facilities. It was further agreed that the government would establish a delivery schedule by customer.

Since it is not known by the company under which contract units will be delivered until after completion of the units, we have been unable to segregate costs by contract. Therefore, on 23 August 1966, a meeting was held between [redacted] of this company and two auditors from your Boston Office. The problem of associating costs to contracts was discussed and as a result, the following understanding was reached.

1. Because of the similarity of the systems and the introduction of production methods to fabricate the systems, the three contracts shall be combined for cost control purposes.
2. Costs incurred shall be allocated between the three contracts in proportion to contract amounts. Over or Under runs will be in proportion to the contract amounts. Based on a recent estimate, the program will incur an overrun of approximately \$30,000.

We appreciate your understanding of the above problems and recognize that this solution shall not set a precedence for cost collection and or billings on future contracts.

Very truly yours,

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Contract Administrator

Copy to:

Auditor

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